WHAT IS ACCOUNTING?

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What type of information?

Accounting organizes financial information. It is about money. It is quantitative in nature and measures money. Accounting isn't an abstract science – it is much more practical than theoretical. It's one of those things that you'll learn best by doing.

TYPES OF ACCOUNTING

What types of accounting are there?

- ***Bookkeeping:*** *ensures that financial information has been gathered systematically*
- ***Financial Accounting:*** *prepared for the company's ownership, its lenders, financial analysts, and for other external stakeholders*
- ***Managerial Accounting:*** *looks into topics like pricing, competition, marginality, budgeting*
- ***Tax Accounting:*** *determines the amount of taxes that a company has to pay*

PAYING RENT

*A payment is made **before** the invoice*

1. A payment is made **before** the invoice
2. A payment is made **at the time of the invoice**
3. A payment is made **after** the invoice

A Company Pays Rent

Invoice $1,000

Landlord

INCOME STATEMENT ITEMS

Revenue

Represents an inflow of economic resources. Usually, the main type of revenue for a given firm are its day-to-day sales – customers buying goods that the firm sells.

Other Revenue

Earnings money by performing activities that are outside the core area of operations

Cost of Goods Sold

Expenses that are sustained in order to produce the goods that the firm sells and are directly attributable to the production process

THE COMPANY DELIVERS THE PRODUCTS

Payment options

1. A payment is made **at** delivery
2. A payment is made **before** delivery
3. A payment is made **after** delivery

Company
Selling Office
Equipment

Payment of
$10,000

Client
Firm

INCOME STATEMENT

Purpose

- *How did the company perform throughout the period under consideration?*
- *Did it produce a profit or a loss?*